

**DIRECT TESTIMONY AND EXHIBIT OF**

**ROBERT A. LAWYER**

**ON BEHALF OF**

**THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF**

**DOCKET NO. 2020-2-E**

**IN RE: ANNUAL REVIEW OF BASE RATES FOR FUEL COSTS**

**FOR DOMINION ENERGY SOUTH CAROLINA, INC.**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.**

**A.** My name is Robert A. Lawyer. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as the Deputy Director of Energy Efficiency and Renewables in the Utility Rates and Services Division of the Office of Regulatory Staff (“ORS”).

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

**A.** I received my Bachelor of Science in Financial Management from Clemson University in 1994. Prior to my employment with ORS, I held a variety of positions in finance, accounting, auditing, and management. I joined ORS in 2007 as an Auditor and assumed my current position in November 2019.

**Q. HAVE YOU TESTIFIED BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA (“COMMISSION”)?**

**A.** Yes. I have previously testified before the Commission.

**Q. WHAT IS THE MISSION OF ORS?**

A. ORS represents the public interest as defined by the South Carolina General Assembly as:

[t]he concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A. The purpose of my testimony is to set forth ORS's recommendations resulting from the examination of Dominion Energy South Carolina, Inc.'s. ("DESC" or "Company") Distributed Energy Resource Program ("DERP") expenses for the period of January 2019 through December 2019 ("Actual Period"), January 2020 through April 2020 ("Estimated Period"), and May 2020 through April 2021 ("Forecasted Period").

**Q. WAS THE REVIEW PERFORMED BY YOU OR UNDER YOUR SUPERVISION?**

A. Yes. The review to which I testify was performed by me or under my supervision.

**Q. WHAT EXPENSES RELATED TO THE COMPANY'S DERP ARE INCLUDED IN THIS PROCEEDING?**

A. Pursuant to S.C. Code Ann. § 58-39-130(A)(2) (2015), an electrical utility with an approved DERP may recover associated costs that are reasonably and prudently incurred, and pursuant to S.C. Code Ann. § 58-39-140(F) (2015), cost recovery shall remain in force until all approved DERP components have been recovered. The Company's DERP was approved in Commission Order No. 2015-512, and the Company included in this filing actual, estimated and forecasted avoided and incremental costs for the period of January 1, 2019 through April 30, 2021.

**Q. PLEASE EXPLAIN THE INCLUSION OF DERP AVOIDED COSTS TO BE RECOVERED IN THIS PROCEEDING.**

**A.** According to S.C. Code Ann. § 58-39-140 (2015), payments for electricity provided under the DERP that are paid at avoided cost rates or rates negotiated pursuant to the Public Utility Regulatory Policy Act of 1978 (“PURPA”), whichever is lower, are eligible to be recovered through the DERP avoided cost component.

The Company incurred DERP avoided costs during the Actual Period for Bill Credit Agreements (“BCAs”) paid to customers, purchased power from utility-scale and community solar facilities, and excess net energy metering (“NEM”) payments to customers. These costs were allocated using the same method the Company uses to allocate and recover variable environmental costs. Actual and Estimated DERP avoided cost totals are shown in ORS witness Briseno’s Audit Exhibit ADB-8.

**Q. WHAT TYPES OF EXPENSES HAS THE COMPANY INCLUDED AS DERP INCREMENTAL COSTS?**

**A.** The Company included costs in excess of avoided costs, administrative and general costs, NEM and BCA incentives, NEM future benefits, NEM performance-based incentives, community solar costs, depreciation costs, and associated carrying costs. Actual and estimated cost totals are shown in ORS witness Briseno’s Exhibit ADB-9. Exhibit RAL-1 reflects the under-recovered and total estimated and forecasted incremental costs.

**Q. DID ORS FIND THE COMPANY’S DERP AVOIDED AND INCREMENTAL COSTS TO BE REASONABLE?**

**A.** Yes. ORS found the Company’s DERP avoided and incremental costs to be reasonably and prudently incurred in implementing the Company’s DERP. The Company

met the Customer Scale and Utility Scale goals of Act 236 and incurred reasonable expenses to achieve those goals. ORS reviewed the Company's estimated and forecasted DERP avoided and incremental costs, which include costs for implementation of the Company's Community Solar Program and found them to be reasonable.

**Q. PLEASE EXPLAIN THE DERP CHARGE PER ACCOUNT.**

**A.** The fixed charge by which the Company proposes to recover DERP incremental costs ("DERP Charge") is determined by allocating DERP incremental expenses in the same way the Company allocates variable environmental expenses. The revenue is collected as a fixed charge per account to ensure that no account charge exceeds the annual recovery caps prescribed in S.C. Code Ann. § 58-39-150 (2015).

**Q. WILL THE PROPOSED ANNUAL DERP CHARGES RECOVER ALL THE INCREMENTAL COSTS?**

**A.** No. The proposed Residential and Large General Service ("LGS") DERP Charges will not recover all the incremental costs allocated to those customer classes. A full recovery of DERP incremental costs would require an annual DERP charge of \$18.04 for Residential customers and \$14,196.32 for LGS customers. However, the annual recovery caps prescribed in S.C. Code Ann. § 58-39-150 (2015) limit the amount Residential and LGS customers can be charged each year to \$12.00 and \$1,200.00 respectively. DESC's proposed annual DERP Charge will recover all DERP incremental costs from Small and Medium General Service customers as the cost is under the \$120.00 annual recovery cap for that class.

**Q. HOW WILL UNDER-COLLECTED INCREMENTAL COSTS BE TREATED?**

1     **A.**             Under-collected incremental costs will earn carrying costs until next year when they  
2             will be reallocated using each class's contribution to peak demand.

3     **Q.     DOES ORS HAVE ANY RECOMMENDATIONS REGARDING THE DERP**  
4     **CHARGES PROPOSED BY THE COMPANY?**

5     **A.**             No. The Company's calculations comply with Act 236 and with the Commission's  
6             Orders in previous DERP-related proceedings and supports the following annual proposed  
7             DERP Charges: Residential \$12.00, Small and Medium General Service \$70.23, and LGS  
8             \$1,200.00. Exhibit RAL-1 details the DERP Charge by class.

9     **Q.     PLEASE PROVIDE A BRIEF EXPLANATION OF HOW THE SOUTH**  
10     **CAROLINA ENERGY FREEDOM ACT ("ACT 62") IMPACTS THE**  
11     **COMPANY'S DISTRIBUTED ENERGY RESOURCE PROGRAM AND COST**  
12     **RECOVERY IN THE ANNUAL FUEL PROCEEDINGS?**

13    **A.**             S.C. Code Ann. § 58-40-20 (B) of Act 62 eliminated the 2% NEM participation  
14             threshold of Act 236 and expanded NEM availability to all customer-generators who apply  
15             between May 16, 2019, and before June 1, 2021, according to the terms and conditions  
16             provided to all parties in Commission Order No. 2015-194. Customer-generators may  
17             continue NEM service until May 31, 2029. Beginning June 1, 2021, Act 62 requires the  
18             implementation of a "solar choice metering tariff" which is currently being contemplated  
19             through a stakeholder process in Docket No. 2019-182-E.

20             Also, pursuant to S.C. Code Ann. § 58-41-20 (A)(1) of Act 62, each electrical  
21             utility's avoided cost methodologies, which reflect an electric utility's avoided costs and  
22             determines the rates for the purchase of energy and capacity, and ancillary services  
23             provided, are approved in proceedings separate from the electrical utility's annual fuel cost

proceeding. DESC's avoided energy, avoided capacity and ancillary service rates were set by the Commission in Docket No. 2019-184-E ("Avoided Cost Proceeding").

**Q. DID THE COMPANY UPDATE THE VALUE OF NEM DISTRIBUTED ENERGY RESOURCES?**

**A.** No. The Company did not update the Value of NEM Distributed Energy Resources in this annual fuel proceeding. Instead, the Company filed an update with the Commission on December 19, 2019, in accordance with Commission Order No. 2019-847 in the Avoided Cost Proceeding. Subsequently, a Commission Directive was issued on January 3, 2020, granting reconsideration and rehearing on several aspects of previous Order No. 2019-847 and a final order has not yet been issued. The Company proposes to further update the Value of NEM Distributed Energy Resources and associated tariffs once the final order is issued by the Commission in Docket No. 2019-184-E.

**Q. DID THE COMPANY TRUE-UP UPDATED AVOIDED COST RATES, THE VALUE OF NEM DISTRIBUTED ENERGY RESOURCES, AND VARIABLE INTEGRATION CHARGES AS REQUIRED BY ORDER NO. 2019-43-H, PURSUANT TO ORDER NO. 2019-229 IN DOCKET NO. 2019-2-E?**

**A.** No. According to Company witness Rooks (Direct, pp. 12-13), the Company did not calculate a true-up amount to apply in this docket due to the lack of a final order on rehearing by the Commission in Docket No. 2019-184-E.

**Q. PLEASE EXPLAIN THE PROPOSED UPDATES TO THE SECOND AND THIRD NEM FOR RENEWABLE ENERGY FACILITIES TARIFFS THE COMPANY INCLUDED IN ITS FILING.**

1     **A.**             The Company proposes to update the Value of NEM Distributed Energy Resources  
2             and associated tariffs coincident in time with each future Avoided Cost Proceeding  
3             conducted pursuant to S.C. Code Ann. § 58-41-20 (A) of Act 62, which is to occur at least  
4             once every twenty-four months.

5     **Q.     DID ACT 62 AMEND THE REQUIREMENT TO UPDATE THE VALUE OF NEM**  
6             **DISTRIBUTED ENERGY RESOURCES ANNUALLY IN THE COMPANY’S**  
7             **FUEL FILING?**

8     **A.**             No. Commission Order No. 2015-194 in Docket No. 2014-246-E has not been  
9             revised. Order No. 2015-194 adopts a Settlement Agreement which states “The costs and  
10            benefits of net metering and the required amount of the DER NEM Incentive shall be  
11            computed and updated annually coincident in time with the Utility’s filing under the fuel  
12            clause.”<sup>1</sup>

13            Also, Order No. 2015-194 states “All Parties will support the terms of this  
14            Settlement Agreement and will support the adoption by the Utilities and Commission of  
15            programs, tariffs, orders and other rulings consistent with the term of this Settlement  
16            Agreement and the Act. The Parties will take no action or advocate any position  
17            inconsistent with this commitment.”<sup>2</sup>

18            Both ORS and the Company are signatories to the Settlement Agreement.

19     **Q.     WILL YOU UPDATE YOUR TESTIMONY BASED ON INFORMATION THAT**  
20             **BECOMES AVAILABLE?**

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<sup>1</sup> Order No. 2015-194 (Page 26).

<sup>2</sup> Order No. 2015-194, Order Exhibit 1 (Page 4).

1     **A.**             Yes. ORS fully reserves the right to revise its recommendations via supplemental  
2             testimony should new information not previously provided by the Company, or other  
3             sources, become available.

4     **Q.       DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

5     **A.**             Yes.



**Office of Regulatory Staff**  
**Calculation of DERP Charge**  
**Dominion Energy South Carolina, Inc.**  
*Docket No. 2020-2-E*

**(Over)/Under- Recovery of DERP Incremental Costs**  
**January 2019 through April 2020**

	<b>Residential</b>	<b>Small and Medium General Service</b>	<b>Large General Service</b>
Cumulative (Over)/Under-Recovery	\$2,238,682	\$1,389,367	\$1,015,557

**(Over)/Under-Recovery of DERP Incremental Costs**  
**May 2020 through April 2021**

	<b>Residential</b>	<b>Small and Medium General Service</b>	<b>Large General Service</b>
Cumulative (Over)/Under-Recovery	\$9,465,351	\$5,874,368	\$4,293,865

**Total DERP Charge**  
**January 2019 through April 2021**

	<b>Residential<sup>1</sup></b>	<b>Small and Medium General Service</b>	<b>Large General Service<sup>1</sup></b>
Cumulative Under-Recovery through April 2021	\$11,704,033	\$7,263,735	\$5,309,422
Number of Accounts	648,809	103,430	374,000
Annual Cost (\$)	\$12.00	\$70.23	\$1,200.00
<b>Monthly DERP Charge (\$)</b>	<b>\$1.00</b>	<b>\$5.85</b>	<b>\$100.00</b>

<sup>1</sup> Residential and Large General Service monthly charges are capped in compliance with Act 236.